"FRUITS OF YOUR LABOUR"

Your Pension Plan is FULLY FUNDED

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2014 valuation results:
Your plan is 102% funded!

The Teachers' Pension Board of Trustees (board) is pleased to report that the Teachers' Pension Plan (plan) is healthy and there will be no change to your contribution rates.

The plan's most recent valuation, the results of which were released in 2015, shows the plan's basic account had actuarial assets of $22.9 billion and actuarial liabilities of $22.4 billion, meaning the plan is 102 per cent funded as at December 31, 2014.

While the results demonstrate the plan is healthy and sustainable, the board remains mindful that continued market volatility makes its focus on long-term results very important.

What is a valuation?

A valuation is like a report card that determines how much money needs to be paid into the plan to keep the pension promise, based on a series of economic and demographic assumptions.

At least every three years, an independent actuary (a professional with specialized training in financial modelling, the laws of probability and risk management) performs a valuation.

What the surplus valuation means for you

In addition to no change to your contribution rates, funding for cost-of-living adjustments (COLAs) will be strengthened. Effective July 1, 2016, a portion of the employer contributions that are no longer required to fund the basic account will be reallocated to the account that funds COLAs.

The most recent sustainability review of COLAs, which took place at the same time as the valuation, shows COLAs are sustainable for all retired members. This means if you retire in 2016, you will be eligible to receive COLA effective January 1, 2017, regardless of your age; you will no longer have to be age 56 or older. COLA sustainability will again be reviewed at the same time as the next valuation.

COLAs remain a non-guaranteed benefit. However, the board aspires to making COLAs sustainable and available well into the future.

Surplus valuations and the joint trust agreement

When there is a valuation surplus, the board, made up of trustees appointed by the British Columbia Teachers' Federation (member partner) and the provincial government (employer partner), acts on specific instructions outlined in the Teachers' Pension Plan Joint Trust Agreement (JTA), a document jointly managed by the partners.

The JTA requires the plan to use this surplus to take a step toward balancing employer and member contribution rates—a goal of the JTA. Currently, your employer pays higher contribution rates than you do; effective July 1, 2016, employer contributions to the plan's basic account will be reduced by 3.77 per cent of pay and contributions to the inflation adjustment account to support COLA will be increased 1.95 per cent of pay, for an overall employer contribution reduction of 1.82 per cent of pay. Employers will still contribute 0.31 per cent of pay more than members.

Your pension plan numbers and the valuation

Every year this report includes a series of charts and graphs showing a high-level financial and demographic snapshot of the plan. In this issue, we'll explain how this data relates to the plan's health and, ultimately, the valuation results.

The actuary looks at the plan's **membership profile** as part of a larger trend. Since the late 1990s, the number of retired plan members has more than doubled while active membership has declined; from an actuarial perspective, the plan is maturing. This relative decline in active members means that if the actuary's assumptions about future plan finances or demographics don't match the actual experience, any required member and employer contribution rate changes due to this variance (negative or positive) will be more pronounced.

The actuary also looks at how many new members are coming into the plan and their average age.

Another important demographic is the plan's **gender profile**. Gender composition helps the actuary determine how much money is needed in the pension fund. In Canada, women tend to live longer than men by several years. With a high percentage of females in the plan, the typical member will draw their pension for longer than a member in a plan with a more equal gender ratio.

Membership profile
as at December 31, 2015

Active	44,918	49%
Retired	35,559	38%
Inactive*	12,277	13%

Gender profile of active plan members

Female 74%

Male 26%

* Members no longer employed by a plan employer, but with money in the plan.

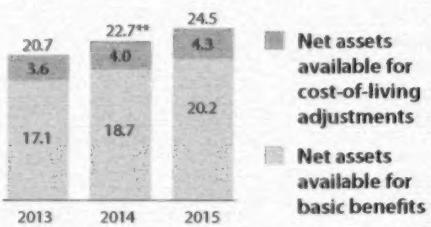
Almost 40% of plan members are retirees

In general, the higher the plan's assets, the more secure your pension will be. The actuary expects assets to increase over time, and if this increase doesn't occur, contribution rates will likely go up.

Net assets available for benefits is a year-end snapshot. Although important, the actuary uses information from several years to do the valuation (in effect, smoothing the information to account for variations from year to year).

Net assets available for benefits*
as at December 31 ($ billions)

The Teachers' Pension Plan is a pre-funded plan, designed so that each generation pays in advance for its own pension benefits. Pre-funding pension plans limits exposure to demographic risks such as the shifting ratio of pensioners to contributors.



Net assets are increasing

* For more details, please see the "Statement of Financial Position" in the financial statements of the *2015 Annual Report*, available fall 2016 on the plan website.

** Differs from the information on page 2 because net assets are calculated differently than actuarial assets.

Generally, a higher return on investments means more net assets are available. The actuary uses investment data, the plan's asset strategy and asset allocation, and projections on future rates of return for various asset classes to create assumptions about the plan's overall future performance. If investment returns consistently do not meet these assumptions, then contribution rates will likely need to increase.

The **performance benchmark**, a standard set by the board in consultation with British Columbia Investment Management Corporation, the plan's investment manager, provides an understanding of how plan assets are performing against the market.

We beat the benchmark by 1.8%

Return on investments

for the year ended December 31, 2015

9.3%*

5-year annualized 9.8%

Compared to a performance benchmark* of:

7.5%

5-year annualized 7.8%

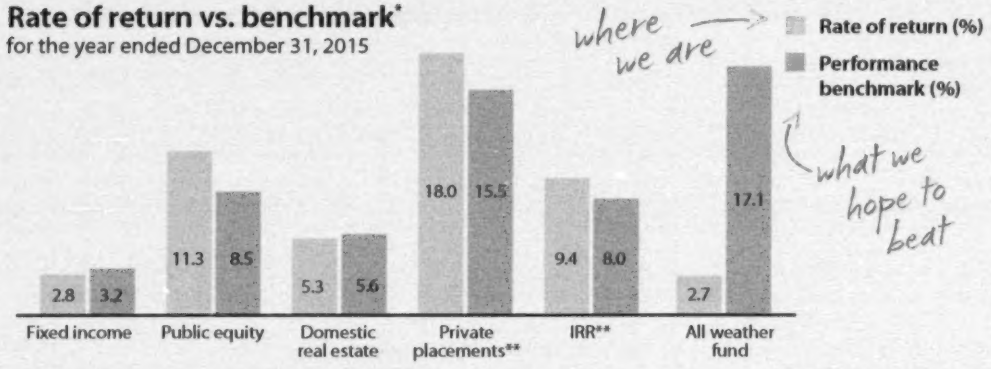
* Benchmarks are standards to compare against investment returns.

The **rate of return vs. benchmark** graph shows returns on investments in several sectors compared to their benchmarks.

$ Investment income will finance about 80% of your pension

Rate of return vs. benchmark*

for the year ended December 31, 2015



* Benchmarks are standards to compare against investment returns.

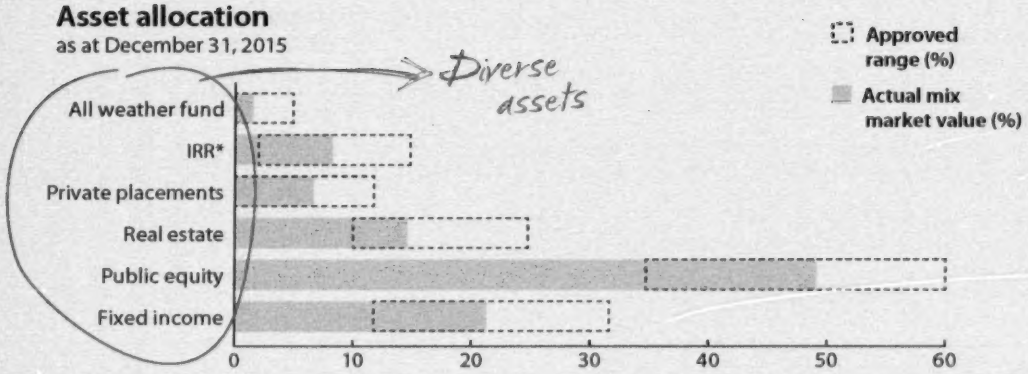
** The rates of return for private placements, and infrastructure and renewable resources (IRR) reflect the December 31, 2014, internal rates of return. The December 31, 2015, internal rates of return are not yet available.

The **asset allocation** table describes how plan assets are allocated. If one sector has strong or weak returns, plan assets (which influence the plan's ability to pay pensions) can be positively or negatively affected, depending on their weight in that sector. To reduce risk, plan investments are diversified (spread out across markets and asset types).

The **investment management and benefits administration fees** shows the percentage of plan assets used to administer the plan's investments and benefits. The total of 0.27 per cent is exceptionally low, allowing more funds to remain in the plan for pension purposes.

Asset allocation

as at December 31, 2015



* Infrastructure and renewable resources.

Investment management and benefits administration fees

as at December 31, 2015

The plan is among those with the most efficient retirement savings options available, with exceptionally low investment management and benefits administration fees.

Investment management 0.22% of assets*

Benefits administration 0.05% of assets

Exceptionally low fees $$

* External investment management costs of $10.6 million incurred by wholly owned corporations are included in investment management costs as a percentage of net assets.

Financial highlights gives a snapshot of the year. In 2015, plan investment and contribution income exceeded benefits payments, and investment and administration costs by $1.771 billion. This annual information makes up one small part of what the actuary considers; when looking at longer-term trends, the focus is on multi-year information.

Financial highlights

for the year ended December 31, 2015
(millions)

$22,689 Net assets	$2,149 Investment income	$778 Contributions	($1,100) Benefits payments	($56) Investment & administration costs	$24,460 Net assets

Net assets grew by almost $1.8 billion

The valuation is the most important measurement of plan health. Regular valuations are not only a legal obligation but also good plan governance, which leads to pension security. The board continues to carefully monitor the plan's financial health to ensure it remains financially sound.

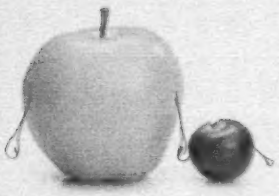
The 2015 numbers listed here are unaudited. For full, audited financial information, read the *2015 Annual Report*, available fall 2016 on the plan website. For the plan's full investment policy, see the *Statement of Investment Policies and Procedures* on the website.

Life happens. Now what?

Life happens. And so, there will be times when you, as a plan member, will need to get in touch with the Teachers' Pension Plan to ensure you're making the most of your pension experience. You may not always feel prepared for life, but we'll always be ready to help you.

In this report, we'll talk about how specific life events may affect your pension and we'll also answer some questions about some of the important numbers behind your pension.

To find the resources and tools described below, as well as our new *Work. Life. Pension.* web page, visit your plan website at tpp.pensionsbc.ca.

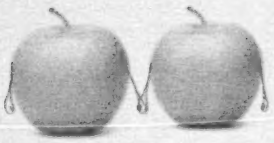


You're back to work after a leave of absence.

At some point in your career, you may take an employer-approved leave of absence such as maternity, parental, adoption or compassionate care leave.

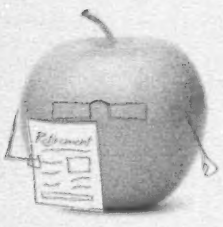
During an approved leave, you may not be contributing or accruing service under the plan. You do, however, have the opportunity to buy back the service for this leave time.

Read the PensionFacts *Purchasing leaves of absence* to find out more about how leaves of absence affect your pension, the types of leave you can buy back, important deadlines and how to use personalized pension estimators to determine the cost of buying back leave.



You just got married or are in a common-law relationship

Now that you're married or are in a common-law relationship, it's important to provide us with your spouse's name and information to ensure you receive the right pension options when you retire. In the event of death, this information would also help provide a smooth transition during a difficult time. To update your information and inform us of a spouse, contact the plan directly.



You're ready to retire.

Congratulations! The first thing you should do is use the personalized pension estimator available online at My Account. It will help you estimate the amount of your future pension. If you're within a year of retiring, contact the plan and ask for a pension estimate. You'll need to provide:

- your full name, mailing address, work and home telephone numbers, social insurance number and date of birth;
- your spouse's name and date of birth (please tell the plan if you don't have a spouse);
- confirmation of any former spouse with an entitlement to a share of your pension; and
- your estimated retirement date (last day of pay) and last day of work, if earlier.

When the plan receives your request, it will send you a retirement kit containing everything you need to apply for your pension. You can complete, sign and return your forms up to 90 days before your pension's effective date.

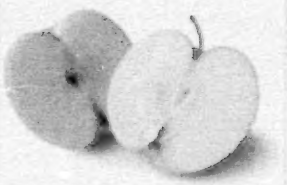
You're getting a divorce. How will that affect your pension?

Your former spouse may be entitled to a share of your pension based on the portion of the pension you earned while living together.

If you divorce or separate, you and your former spouse can agree to divide your pension, with each of you receiving a share, or leave it intact and divide family assets another way.

Whatever you choose, a separation agreement or court order will tell us how to administer your pension; you should provide us with a copy of that agreement or order as soon as possible.

For more information, read the PensionFacts *How a separation or divorce affects your pension* or contact the plan.



You just got your *Member's Benefit Statement* and your estimated monthly pension has dropped. What's going on?

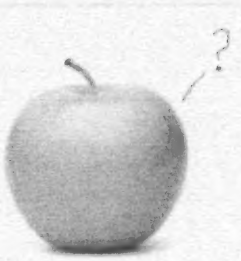
If your hours and pay have remained constant, a drop in your monthly lifetime pension has to do with the relationship between your lifetime pension, the bridge benefit and the year's maximum pensionable earnings (YMPE).

The YMPE is a salary limit the federal government sets each year to determine the maximum amount of earnings you can contribute to the Canada Pension Plan. Both the lifetime pension and the bridge benefit are based on the YMPE of the year before your retirement; the bridge portion of your pension goes up with the YMPE.

Recently the YMPE grew faster than your highest-average salary, so the bridge benefit amount also increased and, if your highest-average salary is more than the YMPE, the lifetime pension would have decreased.

However, if you look at your *Member's Benefit Statement*, you'll notice the pension you've accrued has increased compared to last year (if you continued to work and contribute, and haven't reached the maximum amount of pensionable years of service—35 years).

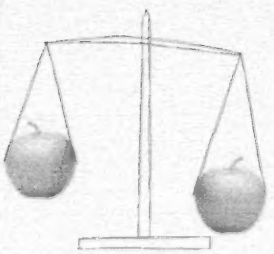
For more information on the bridge benefit, read *A Guide for Plan Members*.



What is a pension adjustment?

A pension adjustment is the value of the pension benefit you earned in a registered pension plan for a given year. Canada Revenue Agency has a cap on the amount you can contribute to retirement savings vehicles. Since pensions and registered retirement savings plan (RRSPs) are retirement savings vehicles, more value in your pension will mean less room for contributing to RRSPs the next year.

For more information on pension adjustments, RRSPs and other tax implications of your pension, read the PensionFacts *Your pension and your RRSP room*.



Plan rule changes

Changes to the *Pension Benefits Standards Act* may affect you.

Amendment 26, effective September 30, 2015

What you need to know

The provincial *Pension Benefits Standards Act* (PBSA) is important because it is designed to protect **your** interests as a pension plan member. It sets standards in areas such as eligibility, vesting, portability, survivor benefits, employer contributions and disclosure to members.

How will updates to the PBSA affect you?

- **Immediate vesting:** On September 30, 2015, all active plan members, like you, are vested in the plan. This means, once you're eligible to join the plan and after you make your first contribution, you are **immediately** entitled to a pension benefit upon retirement.
- **Termination options: Have you stopped working for your current employer?** Your termination options may have changed. For more details, see the PensionFacts, *Terminating employment*.
- **Access to your pension benefits if you are terminally ill:** If you are diagnosed with an illness or disability that is terminal or likely to shorten your life considerably, you may be able to access your pension benefits. Contact the plan for more information.

Retired and returning to work? New rule affects you.

Amendment 25, effective October 1, 2015

What you need to know

Retired but returning to work for a plan employer? If so, you must continue receiving your pension payments. You no longer have the option of suspending or repaying your pension payments and restarting contributions to the plan.

If you retired, became re-employed with a Teachers' Pension Plan employer, and restarted pension contributions to the plan before October 1, 2015, you may continue contributing until you retire again.

If you start working for an employer that is not part of the Teachers' Pension Plan, talk to your new employer about its pension plan enrolment rules.

Interested in buying back service? More flexibility now available.

Amendment 24, effective April 1, 2015

What you need to know

If you go on an approved leave from a plan employer and, while on leave, either a) contribute to the plan with a different employer or b) contribute to another registered pension plan, you may be eligible to buy back service for the approved leave.

For more information, please contact the plan.

2014 Valuation

In early 2016, trustees approved changes to the plan stemming from the 2014 valuation. Read more about the valuation and changes on page 2.

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MISSION STATEMENT

To fulfill the trust the partners have placed on us by effectively and efficiently meeting the pension promise to provide retirement income to plan members.

The information in this booklet is based on the legislation and BC Teachers' Pension Plan rules in effect as of December 31, 2015, except where otherwise noted. In the event of any variation between the information in this booklet and the provisions of the statutes, regulations and plan rules that govern any benefits available under the BC Teachers' Pension Plan, the latter will prevail. Financial figures presented in this report as at December 31, 2015, are unaudited.

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